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October 31, 2012

Mr. Jeff Derouen, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

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PUBLIC SERVICE
COMMISSION

RE: Case No. 2012-00095
Monthly Report from
Joint Applicants for Merger
for month ending October 31, 2012

Dear Director Derouen:

Reference is made to my last report to you dated October 1, 2012 regarding the above referenced Water Districts merger.

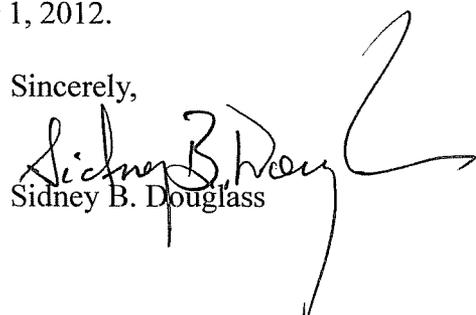
A check payable by Harlan County in the amount of \$383,149.71 was delivered to USDA Rural Development in London, KY in early October to retire the Green Hills Water District Series 1998 Bond and loan. This check has been cashed and we anticipate receipt of the bond from USDA marked paid by mid November.

The Water Extension Project connecting the Harlan Municipal Water Works and the Green Hills Water District System has been completed from Harlan to the GHWD property at Bledsoe. The new line is being flushed, sanitized and tested. We expect the results from the tests to be completed in two weeks. We anticipate favorable tests results and expect water from the Harlan system will be on line with GHWD system by the end of November.

BMUD continues to operate the GHWE system per then merger agreement.

My next report to you will be on December 1, 2012.

Sincerely,


Sidney B. Douglass

CC:

Mr. Bob Lee, Chairman
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806

Mr. Ralph Turner, Chairman
Green Hills Water District
609 Four Mile Road
Baxter, KY 40806

SBD/dla